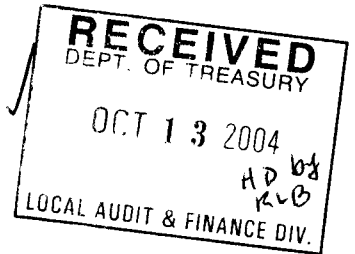


Carmel Township

Eaton County

73-1040

Annual Financial Report
March 31, 2004



Richard L. Baldermann
Certified Public Accountant

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

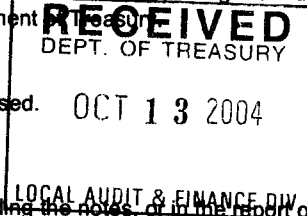
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Carmel Township	County Eaton
Audit Date 3/31/04	Opinion Date 9/29/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) RLBaldermann, CPA			
Street Address 1197 Wild Cherry Drive		City Williamston	State MI
Accountant Signature <i>Richard A. Baldermann</i>		ZIP 48895	Date 9/29/04

**Carmel Township-Eaton County
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Richard L. Baldermann

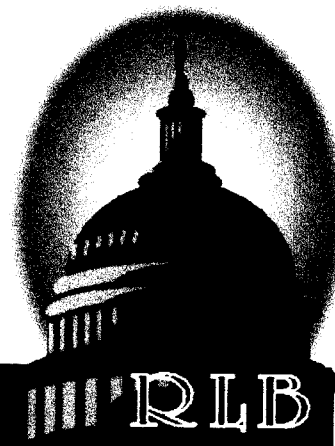
Certified Public Accountant

1197 Wild Cherry Drive

Williamston, MI 48895

Office: (517) 885-4772

Cell Phone: (517) 896-2210



e-mail: rlbaldermann@msn.com

INDEPENDENT AUDITOR'S REPORT

September 29, 2004

Carmel Township Board
1959 W. Kalama Hwy
Charlotte, Michigan

Dear Board Members:

I have audited the accompanying general purpose financial statements of Carmel Township as of and for the year ended March 31, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described more fully in Note A, the general purpose financial statements referred to above do not include the general fixed assets account group.

In my opinion, except for the effect on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Carmel Township as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Carmel Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, except for the exception described in the third paragraph of this report, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Richard L. Baldermann

Richard L. Baldermann, CPA

Carmel Township-Eaton County
Combined Balance Sheet
All Fund Types
March 31, 2004

Exhibit 1

	<u>Governmental Fund Type</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
<u>Assets</u>				
Cash	\$ 828,714	\$ 51,566	\$ 154,882	\$ 1,035,163
Taxes Receivable	3,616			3,616
Due From Other Funds	827		1,012	1,839
Due From State of Michigan	24,161			24,161
Total Assets	<u>\$ 857,319</u>	<u>\$ 51,566</u>	<u>\$ 155,894</u>	<u>\$ 1,064,779</u>
<u>Liabilities and Fund Equity</u>				
<u>Liabilities</u>				
Due to Other Funds	1,012		\$ 827	\$ 1,839
Due to Other Units			\$ 155,066	\$ 155,066
<u>Fund Equity</u>				
Fund Balance	\$ 856,307	\$ 51,566		907,874
Total Liabilities and Fund Equity	<u>\$ 857,319</u>	<u>\$ 51,566</u>	<u>\$ 155,894</u>	<u>\$ 1,064,779</u>

The Notes to Financial Statements are an integral part of this statement

Carmel Township-Eaton County
Combined Statement of Revenue, Expenditures and Changes in Fund Balance
All Governmental Fund Types
For the Year Ended March 31, 2004

Exhibit 2

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General Fund</u>	<u>Township Hall Building Fund</u>	
Revenue			
Taxes	\$ 72,337		\$ 70,828
State Aid	184,792		194,778
Licenses and Permits	64		180
Charge For Services	14,727		6,924
Interest and Rentals	15,206	\$ 1,037	22,515
Other	228		
Total Revenue	<u>\$ 287,352</u>	<u>\$ 1,037</u>	<u>\$ 288,389</u>
Expenditures			
General Government	\$ 69,225		\$ 59,883
Public Safety	31,792		45,129
Public Works	38,543		55,193
Recreation and Culture	10,304		207
Health and Welfare	3,159		5,500
Community and Economic Development	8,423		
Other	11,649		9,565
Capital Outlay	3,711		1,330
Total Expenditures	<u>176,806</u>		<u>176,806</u>
Excess of Revenues Over (Under)			
Expenditures	<u>110,546</u>	<u>\$ 1,037</u>	<u>111,583</u>
Other Financing Sources (Uses)			
Transfer To Township Hall Building Fund	(25,000)		(25,000)
Transfer From General Fund		<u>25,000</u>	<u>25,000</u>
Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	<u>85,546</u>	<u>26,037</u>	<u>111,583</u>
Adjusted Fund Balance--March 31, 2003	<u>770,762</u>	<u>25,530</u>	<u>796,291</u>
Fund Balance--March 31, 2004	<u>\$ 856,308</u>	<u>\$ 51,566</u>	<u>\$ 907,874</u>

The Notes to Financial Statements are an integral part of this statement

Carmel Township-Eaton County
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual-General Fund and Special Revenue Fund
For the Year Ended March 31, 2004

Exhibit 3

REVENUE	General Fund			Township Hall Building Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Taxes	\$72,642	\$72,337	\$ (305)			
State Aid	181,000	184,792	3,792			
Licenses and Permits	50	64	14			
Charge For Services	9,000	14,727	5,727			
Interest and Rentals	20,000	15,206	(4,794)	\$ 2,500	\$ 1,037	\$ (1,463)
Other		228	228			
Total Revenue	<u>\$282,692</u>	<u>\$287,352</u>	<u>\$ 4,660</u>	<u>\$ 2,500</u>	<u>\$ 1,037</u>	<u>\$ (1,463)</u>
Expenditures						
General Government	\$ 90,900	\$ 69,225	\$ 21,675			
Public Safety	60,000	31,792	28,208			
Public Works	99,902	38,543	61,359			
Recreation and Culture	12,000	10,304	1,696			
Health and Welfare		3,159	(3,159)			
Community and Economic Development	20,000	8,423				
Other	11,600	11,649	(49)			
Capital Outlay	5,600	3,711	1,889			
Total Expenditures	<u>300,002</u>	<u>176,806</u>	<u>123,196</u>			
Excess of Revenues Over (Under) Expenditures	<u>(17,310)</u>	<u>110,546</u>	<u>127,856</u>	<u>\$ 2,500</u>	<u>\$ 1,037</u>	<u>\$ (1,463)</u>
Other Financing Sources (Uses)						
Transfer To Township Hall Building Fund	25,000	(25,000)	-			
Transfer From General Fund				25,000	25,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Financing	<u>(42,310)</u>	<u>85,546</u>	<u>127,856</u>	<u>\$27,500</u>	<u>26,037</u>	<u>(1,463)</u>
Adjusted Fund Balance--March 31, 2003	<u>734,446</u>	<u>770,762</u>	<u>36,316</u>	<u>25,342</u>	<u>25,530</u>	<u>188</u>
Fund Balance--March 31, 2004	<u>\$ 692,136</u>	<u>\$ 856,308</u>	<u>\$ 164,172</u>	<u>\$ 52,842</u>	<u>\$ 51,567</u>	<u>\$ (1,275)</u>

The Notes to Financial Statements are an integral part of this statement

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

NOTE A-DESCRIPTION OF OPERATIONS AND FUND TYPES

Carmel Township is located in Eaton County Michigan. The township provides services to its residents in many areas including fire protection, EMS services, community enrichment and development, and human services. The township is a general law township governed by a 5-member board elected by the citizens of the Township. The township board consists of the supervisor, clerk, treasurer and two trustees.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the funds and account groups of the township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading, if data were not included. Based on these criteria, there are no component units that should be included in the financial statements of the township.

BASIS OF PRESENTATION

The accounts of the township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the township are recorded in separate funds and account groups, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of general township departments, boards and commissions. The fund includes the general operating expenditures of the township.

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Special Revenue Funds

These funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUNDS

Agency Fund

This fund accounts for assets held by the township as an agent for individuals, private organizations, other governmental units and/or funds.

ACCOUNT GROUP

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in the governmental funds. General fixed assets purchased are recorded as expenditures in the governmental funds at the time of purchase and should be capitalized in the General Fixed Assets Account Group. The General Fixed Asset Account Group has not been maintained.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General and Special Revenue) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable.

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fixed Assets

Fixed asset information was not included in the March 31, 2004 financial statements.

Property Taxes

The township property tax is levied and collectible on December 1 on the taxable valuation of property located in the township as of the preceding December 31st. Taxes are returned delinquent to the county treasurer on March 1. It is the township's policy to recognize revenues in the current year when they are made available for the financing of township operations. Payment from the county, which purchases the delinquent taxes, is recorded as revenue and Taxes Receivable at fiscal year end.

The 2003 SEV of the township amounted to \$59,416,700. Ad valorem taxes of 1 mill was levied for township operating purposes. The 2003 current tax levy included \$55,526 for township operations. The delinquent real taxes totaling \$3,616 will be paid to the township from the Eaton County Delinquent Tax Fund and is recognized as revenue and taxes receivable in the current fiscal year

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Total Column on Combined Statements--Overview

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

NOTE C—MATERIAL VIOLATIONS OF LEGAL AND CONTRACTUAL PROVISIONS

Budget Violations

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General fund, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. During the fiscal year ended March 31, 2004, the township incurred expenditures in the general fund that exceeded the amount budgeted as follows:

	Budget	Actual	Overexpended
General Government			
Township Board	\$ 4,600	\$ 5,626	\$ 1,026)
Supervisor	7,600	\$ 7,615	\$ (15)
Assessor	\$ 10,750	\$ 12,075	\$ (1,325)
Clerk	\$ 13,200	\$ 14,787	\$ (1,787)
Treasurer	\$ 13,200	\$ 14,798	\$ (1,798)
Insurance and Bonds	\$ 7,500	\$ 8,387	\$ (887)

NOTE D—CASH

Michigan Compiled Laws (MCL), Section 129.91, authorizes local units to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits of the township are at two banks in the name of the township. The township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the township's cash deposits, are as follows:

Deposits	Carrying Amount	Bank Balance
Insured	\$ 200,000	\$ 200,000
Uninsured	<u>835,163</u>	<u>839,065</u>
Total Deposits	<u>\$1,035,163</u>	<u>\$1,039,065</u>

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

NOTE E—FUND BALANCE ADJUSTMENT

The township had maintained an accounts receivable balance from prior audits which proved to be unsubstantiated. Beginning Fund Balance was adjusted as follows for the write off of that balance:

Beginning Fund Balance	\$ 775,127
Accounts Receivable Write-Off	<u>4,365</u>
Adjusted Beginning Fund Balance	<u>\$ 770,762</u>

NOTE F—RISK MANAGEMENT

The township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The township is insured with the Michigan Municipal Liability and Property Pool. Workmen's compensation coverage is acquired from the Accident Fund of Michigan.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The township pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member payments determined necessary by the Pool Board.

During fiscal year 2003-2004 and the previous two years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

NOTE G—CONTINGENT LIABILITIES

The township, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The township estimates that the potential claims against the township, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the township.

Carmel Township-Eaton County
Statement of Revenue
Budget and Actual-General Fund
For the Year Ended March 31, 2004

Exhibit 4

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUE			
Taxes			
Current Taxes	\$ 52,000	\$ 51,607	\$ (393)
Delinquent Taxes	5,200	3,616	(1,584)
Personal Property Taxes		782	782
Administration Fee	15,400	16,332	932
425 Agreement	42	43	2
State Aid			-
State Shared Revenue	181,000	181,444	444
Summer Tax Collection		3,348	3,348
Licenses and Permits			
Dog Licenses	50	64	14
Charge For Services			-
Franchise Fee	4,000	4,432	432
Cemetery Lot Sales		5,650	5,650
Grave Openings		3,601	3,601
Fire Runs	5,000	1,000	(4,000)
Interest and Rentals			-
Interest	20,000	15,206	(4,794)
Other Revenue			
Refunds		228	
Total Revenue	<u>\$ 282,692</u>	<u>\$ 287,352</u>	<u>\$ 4,661</u>

The Notes to Financial Statements are an integral part of this statement

Carmel Township-Eaton County
Statement of Expenditures
Budget and Actual-General Fund
For the Year Ended March 31, 2004

Exhibit 5

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures			
General Government			
Township Board	\$ 4,600	\$ 5,626	\$ (1,026)
Supervisor	7,600	7,615	(15)
Assessor	10,750	12,075	(1,325)
Elections	1,000		1,000
Clerk	12,500	14,787	(2,287)
Deputy Clerk wage	700		700
Treasurer	12,500	14,798	(2,298)
Deputy Treasurer wage	700		700
Township Hall	5,000	1,833	3,167
Dues and Training	2,000		2,000
Cemetery	10,750	10,491	259
Board of Review	1,500		1,500
Audit	2,000	2,000	-
Legal & Professional Fees	15,000		15,000
Bank Charges	300		300
Postage	1,500		1,500
Office Supplies	500		500
Printing & Publishing	2,000		2,000
Public Safety			
EMS Appropriation	3,500	3,159	341
Fire Appropriation	46,500	31,793	14,707
Fire Equipment	10,000		10,000
Public Works			
Roads	60,000	37,630	22,370
Dust Control	25,000		25,000
Drain at Large	6,000	913	5,088
Special Assessment	8,902		8,902
Recreation and Culture			
Park	2,000	304	1,696
Summer Recreation Program	10,000	10,000	-
Community and Economic Development			
Planning	20,000	8,423	11,578
Other			
Insurance & Bonds	7,500	8,387	(887)
Miscellaneous Refunds	500		500
Payroll Taxes	3,600	3,262	338
Capital Outlay			
Capital Outlay	5,600	3,711.41	1,889
Total Expenditures	<u>300,002</u>	<u>176,807</u>	<u>123,195</u>
Excess of Revenues Over			
(Under) Expenditures	<u>300,002</u>	<u>(176,807)</u>	<u>(476,808)</u>
Other Financing Sources (Uses)			
Transfer To Township Hall Building Fund	25,000	(25,000)	-
Transfer From General Fund			
Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	<u>\$ 275,002</u>	<u>\$ (201,807)</u>	<u>\$ (476,808)</u>

The Notes to Financial Statements are an integral part of this statement

Carmel Township-Eaton County
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual-General Fund and Special Revenue Fund
For the Year Ended March 31, 2004

Exhibit 6

	Township Hall Building Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Interest and Rentals			
Interest	\$ 2,500	\$ 1,037	\$ (1,463)
Total Revenue	<u>\$ 2,500</u>	<u>\$ 1,037</u>	<u>\$ (1,463)</u>
EXPENDITURES			
Total Expenditures			
Excess of Revenues Over			
(Under) Expenditures	\$ 2,500	\$ 1,037	\$ (1,463)
Other Financing Sources (Uses)			
Transfer To Township Hall Building Fund			
Transfer From General Fund	25,000	25,000	-
Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	<u>\$ 27,500</u>	<u>\$ 26,037</u>	<u>\$ (1,463)</u>

The Notes to Financial Statements are an integral part of this statement

Carmel Township-Eaton County
Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended March 31, 2004

EXHIBIT 7

	Balance 4/1/2003	Additions	Deductions	Balance 3/31/2004
<u>Assets</u>				
Cash	\$ 1,227	\$ 1,677,214	\$ 1,523,559	\$ 154,882
Due from General Fund		1,012		1,012
	<u>\$ 1,227</u>	<u>\$ 1,678,226</u>	<u>\$ 1,523,559</u>	<u>\$ 155,894</u>
<u>Liabilities</u>				
Due to Other Governments		\$ 1,610,348	\$ 1,455,282	\$ 155,066
Due to General Fund	\$ 1,227	68,978	69,377	827
TOTAL	<u>\$ 1,227</u>	<u>\$ 1,679,326</u>	<u>\$ 1,524,659</u>	<u>\$ 155,894</u>

The Notes to Financial Statements are an integral part of this statement

Richard L. Baldermann

Certified Public Accountant

1197 Wild Cherry Drive

Williamston, NC 28895

Office: (517) 835-4772

Cell Phone: (517) 896-2210



e-mail: rlbaldermann@msn.com

September 29, 2004

Carmel Township Board
1959 W. Kalama Hwy
Charlotte, Michigan

Dear Board Members:

I was engaged to audit the financial statements of Carmel Township for the year ended March 31, 2004, and have issued my report thereon dated September 29, 2004.

In planning and performing my audit of the financial statements of Carmel Township for the year ended March 31, 2004, I considered the Village's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Carmel Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

September 29, 2004
Carmel Township Board

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These conditions are more fully explained in the attached report of comments and recommendations.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that error or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of management and other regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard L. Baldermann

Richard L. Baldermann, CPA

Carmel Township-Eaton County
Comments And Recommendations
March 31, 2004

OTHER REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in the internal control structure, my audit disclosed certain other reportable conditions which I wish to point out for consideration by the management of Carmel Township.

Fixed Assets

The fixed asset records maintained by the Clerk do not agree with the audited amounts from the March 31, 2002 audited financial statements. I was not able to contact the previous auditor and therefore I was not able to determine the reason for the differences. Therefore fixed asset information was not included in the March 31, 2004 financial statements.

I recommend that the Township take a full inventory of the assets owned by the township. Further, the Township should formally establish a dollar threshold for recognizing a purchase as a capital outlay and capitalizing the assets.

NONCOMPLIANCE WITH STATE STATUTES

My examination revealed the following instances of noncompliance with State Statutes.

Budgets

Budget violations are as follows:

- 1) **The number of mills and the purposes for which that millage is to be levied is not included in the budget.** Section 16 (2) (MCL 141.436[2]) requires this information and is known and may be cited as "the truth in budgeting act".
- 2) Copies of the budget were not included in the minutes.

There were several budget lines that were overexpended.

	Budget	Actual	Overexpended
General Government			
Township Board	\$ 4,600	\$ 5,626	\$ 1,026)
Supervisor	7,600	\$ 7,615	\$ (15)
Assessor	\$ 10,750	\$ 12,075	\$ (1,325)
Clerk	\$ 13,200	\$ 14,787	\$ (1,787)
Treasurer	\$ 13,200	\$ 14,798	\$ (1,798)
Insurance and Bonds	\$ 7,500	\$ 8,387	\$ (887)

The expenditure of funds in excess of the budget is contrary to the provisions of Section 17 of Public Act 621 of 1978, which provides, in part, that . . . a deviation from the original general appropriations act (budget) shall not be made without amending the general appropriations act. The township board shall amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined."

Section 18(3) also provides, in part, that an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."

I recommend that Carmel Township and the chief fiscal officer take appropriate action to ensure that budgetary procedures comply with requirements of Public Act 2 of 1968, as amended.

Carmel Township-Eaton County
Comments And Recommendations
March 31, 2004

Appropriations To Outside Organizations

The Township made appropriations to the following organizations:

- Fire Appropriation \$ 45,000.00
- Fire Equipment \$ 10,000.00
- In addition the budget included the Summer Recreation Program, a program operated by the Charlotte Schools for \$10,000.00.

Of the above appropriations, the only formal agreement was for the fire appropriation and that agreement was not specific enough to provide adequate information as to the manner of allocating costs to the participating units, a description of the functions and responsibilities to be performed by the fire department, the effective date and length of the program and financial reporting requirements as established by the township.

Act 39 of 1976, as amended (MCL 400.571 through 400.577) requires the following for appropriations to organizations providing services to Senior Citizens/Older Persons:

- MCL 400.573 Sec. 3. states "A local unit of government may appropriate funds to public or private nonprofit corporations or organizations for the purposes of planning, coordinating, evaluating, and providing services to older persons."
- MCL 400.574 Sec. 4. (1) The appropriations of funds for services to an older person shall be approved by the majority of the members of the governing body of the local unit of government. The terms of the appropriation shall be a matter of public record and shall be entered into the journal of the official proceedings of the governing body.
(2) Notification of an appropriation to a private organization shall be published in a newspaper of general circulation within 10 days following approval by the governing body. The notice shall specify the terms of appropriation as required by this act.
- MCL 400.575 Sec. 5. The terms of the appropriation authorized by this act shall specify:
 - (a) Name, address, and general purpose of the organization.
 - (b) A description of the functions and responsibilities to be performed by the recipient of the appropriation.
 - (c) The effective date and length of the grant.
 - (d) Program and financial reporting requirements as established by the local unit of government.

The Urban Cooperation Act Of 1967 provides guidance relating to contracts with other units of government for the joint exercise of power in providing services to the citizens of the township.